

CAZON  
DE180  
-E81

# EXCHANGE

A NEWSLETTER FOR MEMBERS OF THE ONTARIO TEACHERS' PENSION PLAN

## INVESTING IN THE MONEY MARKET

**O**n 25 June 1990, all money market investments of the Ontario Teachers' Pension Fund were physically transferred from the safekeeping facilities at the Ministry of Treasury and Economics to the control of the pension board.

Under our direction, the ministry operated an investment portfolio on our behalf from January to June 1990. These money market investments included federal and provincial treasury bills and promissory notes, bankers' acceptances, term deposits and other products fully guaranteed by the major banks.

At the time of the transfer from the treasury, the money market holdings were valued at \$1.6 billion with a weighted average yield of 13.1%. The remaining term to maturity was 195 days.

The TPA permits a wide variety of investments, including stocks, bonds, debentures, cash or near equivalents (the money market), mortgages, and real estate. The pension board is determining how much of each investment should be included in the diversification of the portfolio. Known as "the asset mix policy", it takes into account many factors, including predictions about future market conditions, different rates of return and levels of risk.

Before 1990, all funds were placed exclusively in long-term provincial debentures, now totalling \$15.6 billion with a weighted average yield of 11.3%. Originally invested for 20 to 25 years, the last of these debentures will mature in 2012. Since they are non-marketable, we must hold them until maturity.

The high level of activity in the money market will continue as new money is received monthly by the fund. In the meantime, the current high interest rates have been of great benefit to the fund.

## DEBENTURES TRANSFERRED TO PENSION BOARD



**O**n 28 June 1990, Province of Ontario debentures worth \$15.6 billion were counted and transferred to the pension board. The debentures are being held in safekeeping by the Royal Bank of Canada, the pension board's custodian. On hand to witness the transfer were (left to right) Thomas Cheng, internal auditor, pension board; Robert Webster, manager, securities, Ministry of Treasury and Economics; Linda Deloughery, assistant manager, finance, pension board; Cecil Puddicombe and Yook Wong, Royal Bank of Canada.

## SUMMARY OF INVESTMENTS AT 30 JUNE

Type	Value \$ (billions)	Interest %	Term
FEDERAL	1.5	13.1	223 DAYS (AVG)
PROVINCIAL	.06	13.3	90 DAYS (AVG)
BANK GUARANTEES	.14	13.5	178 DAYS (AVG)
MONEY MARKET	1.7	13.2	UP TO ONE YEAR
DEBENTURES	15.6	11.26	UP TO 22 YEARS
TOTAL INVESTMENTS	17.3		





## INVESTING IN THE STOCK MARKET

**W**e are moving quickly but cautiously to start investing fund assets in the stock market. Our investment consultant, TPF&C, is providing the expertise and guidance needed to prepare the organization for this most important responsibility.

As a first stage in expanding the range of investments to equities, we have decided to investigate building our own North American indexed equity funds. Index funds will allow us to build a portfolio of stocks that represents the well known indices in the stock market, such as the TSE300 in Canada and the S&P500 in the United States. Much has to be done to achieve our goal by September 30th:

- develop and approve a new investment policy, a requirement of the *Pension Benefits Act*, before any investment can be made;

- search for a custodian to provide the necessary services of safekeeping the certificates, payment on receipt of the certificates, and receiving dividends;

- search for five investment companies to manage the equity investments under the board's direction;

- expand the in-house capability of our organization by enhancing the existing computer system to manage the stock market portfolio and by acquiring an analyst to monitor external investment and custodial activity;

- establish an assessment system to measure the performance of the investment managers and to report to the membership.

Further diversification into other securities will take place when the board decides on the policy for expansion of investments. We will keep you posted as this program unfolds.

## NEW APPOINTMENTS

Claude R. Lamoureux, former President and CEO of Metropolitan Life Holdings Ltd., has been appointed CEO of the pension board. He was chosen by the board for his excellent experience with pension plans and the full range of asset mix investments during his 23 years with Metropolitan Life.

William M. Mercer Ltd., a large and reputable consulting firm, was chosen as the consulting actuary for the fund.

TPF&C Ltd., a Towers Perrin company, was selected to advise the pension board on establishing an investment program.

## EXECUTIVE SEARCH

**W**e have hired two firms specializing in executive recruitment to assist with the search for a Chief Executive Officer (CEO) and a Director of Investments. Price Waterhouse was awarded the contract to recruit the CEO, while van Straubenzee Consulting Corporation was retained for the Director of Investments search.

Both firms bring considerable expertise to this challenge and each was selected over a number of excellent competitors.

To appeal to the widest possible audience, recruitment ads were placed in the "Report on Business" in the *Globe and Mail*, *Le Droit* and the *Financial Post*. In addition, each firm has extensive data bases which enable them to identify likely candidates for direct approach.

Working with each firm, we developed candidate profiles describing the skills, experience, education and personal attributes thought most appropriate to each position. Candidates were assessed in relation to the profile and the best were selected for interviews.

We anticipate that the new Director of Investments will be appointed in August.

## ONGOING PENSION BOARD ACTIVITIES

	JUNE	JULY	AUG	SEPT	OCT	NOV
INVESTMENT POLICY						
SEARCH FOR CUSTODIAN						
COMPUTER SYSTEM EXPANSION						
SELECT DIRECTOR OF INVESTMENTS						
PERFORMANCE ASSESSMENT SYSTEM						
SEARCH FOR INVESTMENT MANAGERS						

*Exchange* is a publication prepared by the Ontario Teachers' Pension Plan Board. We welcome your comments on this newsletter and suggestions for future newsletters. Write to us at:

**Communications Department  
Teachers' Pension Plan Board  
5650 Yonge Street, Suite 400, North York, Ontario M2M 4H5**

The information contained in this newsletter was accurate at the time of printing.  
For further reference, please consult the *Teachers' Pension Act*, 1989.